

February 14, 2012

**To: Members of the Insurance and Real Estate Committee**

**Fr: Connecticut Bankers Association**  
**Contacts: Tom Mongellow, Fritz Conway**

**Re: House Bill 5637, An Act Decreasing The Time Frame For Payment By An Appraisal Management Company To An Appraiser**

**Position: Oppose**

*This Bill decreases the time frame for payment by an appraisal management company to an appraiser for an appraisal from sixty days to thirty days.*

- Appraisers currently enjoy a unique provision that requires an AMC to pay an appraiser for a completed appraisal within 60 days after the date which such appraiser transmits or otherwise provides the completed appraisal to the appraisal management company.
- Because of growing scrutiny of appraisals required by Government Sponsored Enterprises (e.g. Fannie Mae), lenders, and state AMC requirements, *communicating* with an appraiser to address any potential concerns may take a substantial amount of time.
- A 60 day period gives an AMC and the lender ordering the appraisal a sufficient amount of time to meet its due diligence obligations. There are also practical circumstances that often delay the due diligence process, such as the appraiser who submitted the report went on vacation and is unavailable to answer questions about the report or the client has further inquiries prior to accepting the appraisal as complete.
- Having a 60 day payment period also reduces the possibility of an AMC having to claim an appraiser's performance is substandard. If the payment period is reduced to 30, AMCs will not have sufficient time to address any inconsistencies in the report. As a result, many appraisals may be declared substandard because of a lack of time and having to avoid a violation of the 30 day payment period.
- Although responsible AMCs pay appraisers within a reasonable timeframe, the provision in statute governing appraiser payment is intended to give the appraiser the opportunity to file a complaint if they are not paid – it is not intended to simply allow AMCs to withhold payment until the statutory period has expired.
- It is common for clients to pay AMCs outside of 30 days – the requirement would require AMCs to take out loans to accommodate the requirement while waiting on payment from the client.

For all these reasons, we urge your opposition to this Bill.

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**Re: House Bill 5637, AAC Appraisal Management**

**Position: Oppose**

*This Bill would require appraisal management companies (AMCs) engaged in business in Connecticut to post a bond payable to the Department of Consumer Protection of not less than one million dollars. Hypothetically, that bond could be used to reimburse appraisers when services are performed but not paid by the AMC due to a business failure. It would also require the DCP to perform a background check of any appraisal management company applying for registration before the Commissioner issues a certificate of registration.*

- Of the 35 states with AMC registration requirements, only 19 have a requirement that an AMC maintain a surety bond.
- Of those 19 states, the ranges of the bonds are from \$5,000 to \$25,000.
- A surety bond is typically and historically used as a basis to verify a company's creditworthiness when it enters the marketplace, and not to serve as a recourse for breach of contract claims (i.e., the non-payment to an appraiser by an AMC for appraisal services)
  - Of the 19 states with a bond requirement, at least 2 states *specifically prohibit* using the bond to pay appraisers for breach of contract claims
  - This is to avoid a state regulatory agency adjudicating breach of contract claims – an area typically reserved to the court system, as it is in Connecticut

A \$1M bond is entirely inconsistent with other state requirements. It is also extremely expensive to qualify for and pay for the bond on an annual basis, which would likely lead to a number of smaller AMCs being unable to operate in the State, resulting in fewer businesses and the associated jobs.

Some AMCs recently went out of business and have not paid appraisers for work performed. We believe this issue must be addressed through a number of ways including more client oversight over its service providers, encouraging appraisers to report issues to their regulators, and regulatory enforcement over bad actors. It is unfair to place such a high burden, however, on those AMCs that are paying appraisers and acting ethically and professionally.

We urge you to opposition to this proposal as drafted and would look forward to working with the Committee to explore alternatives.